



Overview of Planning Department Cost of Service (User Fee) Study Results

Maui County, Hawaii

matrix 
consulting group

Project Overview

◆ Purpose

- Document fee related services and service level assumptions, as well as detail the full cost associated with each permit or unit.

◆ General Process / Steps

- Catalog existing and potential fees for service
- Work with Planning staff to establish time estimates by position for each service provided:
 - * Accounting for desired service levels
 - * Excluding extraordinarily complex or simple projects
- Allocate overhead costs, including departmental and countywide (admin, payroll, etc.) overhead.

Benefits / Uses

- ◆ **Ensures compliance with State and local laws (i.e., HRS Section 25-1.5(8))**
 - A charge qualifies as a fee if it:
 - * Applies to the direct beneficiary of a particular service.
 - * Is allocated directly to defraying the costs of providing the service.
 - * Is reasonably proportionate to the benefit received for that service.
- ◆ ***Aligns with Government Finance Officers Association (GFOA) best practices:***
 - Calculate the full cost of providing a service in order to provide a basis for setting the charge or fee.
 - Adopt formal policies regarding cost recovery
 - Conduct cost analysis every 3 to 5 years.

Current Fee Practices

- ◆ Planning fees are applied in couple of ways:
 - **Flat Fee:** a set fee for which any applicant requesting the service will pay.
 - * i.e., Bed and Breakfast, Short Term Rental Home, Historic District applications.
 - **Valuation-Based Fee:** varies based upon the valuation of the proposed project between a low of \$687.50 to a high of \$4,950.
 - **Location-Based Fee:** varies based upon the location of the application
 - * i.e., Maui, Molokai, or Lanai
 - **Length of Approval:** varies based upon how long the permit / application is valid for
 - * i.e, 1 year, 2 years, 3 years, etc.

Recommended Modifications

- ◆ Where possible eliminate the use of project valuation to calculate permit fees:
 - Ensures that approvals that are not dependent upon the size or value of a project are assessed the same fee.
- ◆ Convert location subcategories for Shoreline Setback Variances and Special Management Area (SMA) Use Permits to be based on type of decision or approval needed:
 - Sets fees based on approval efforts
- ◆ Eliminate multi-year permit approvals and renewals for Bed and Breakfast and Short Term Rental Home permits:
 - Application review and approval should happen annually.
- ◆ These modifications allow applicants to better understand the services being provided, and the associated fees for service.

Fee Study Assumptions

- ◆ Cost of service assumptions were based on the following:
 - Fiscal Year 19/20 budgeted staffing
 - Fiscal Year 19/20 budgeted expenditures
- ◆ Revenue impacts were calculated using annual permit activity:
 - As permit workload can vary from year to year, a four-year average was used to calculate projected annual revenues.
 - * Fiscal Years 2016, 2017, 2018, and 2019

Fee Study Results

- ◆ When comparing Fiscal Year 19/20 fee related budgeted expenditures with a four-year average projected revenue, the Planning Department is under-recovering its costs by approximately \$1 million annually.

Service Category	4 Yr Avg. Revenue	FY 19/20 Cost	Deficit
Table A - Public Hearing Required	\$98,384	\$558,160	(\$459,776)
Table B - No Public Hearing Required	\$0	\$0	\$0
Bed and Breakfast Permits	\$22,625	\$134,454	(\$111,829)
Short Term Rental Home Permit	\$64,000	\$270,738	(\$206,738)
Other Permits and Approvals	\$9,900	\$191,103	(\$181,203)
Other Fees (not subject to exceptions)	\$688	\$5,160	(\$4,473)
TOTAL	\$195,597	\$1,159,615	(\$964,019)

- ◆ The Planning Department is only recovering around 17% of its annual fee-related costs.
 - Typical cost recovery for Planning services is between 50% - 80%.

Next Steps

- ◆ In order to maximize the results of the Cost-of-Service study, the County should establish the following:
 - Cost recovery goals at either a service type or Departmental level
 - * Identify exceptions and reasons for subsidy (i.e. Historic Applications, Bed and Breakfast permits, etc.)
 - Outline timelines for achieving cost recovery goals
 - * Immediately, within 2, 3, or 4 years.
 - Adopt automatic increase mechanisms
 - * i.e., COLA, CPI, or another factor
 - Determine when fee increases should be implemented
 - * i.e., immediately, beginning of the year, beginning of the fiscal year, etc.